

Q&A at the Financial Results Presentation: Announcement of the Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2012

Date and time: August 3, 2012, 17:00-18:30

Presenters: Senji Miyake (President and CEO) and Masahito Suzuki (Director and CFO)

Abbreviations:

KB: Kirin Brewery, KBC: Kirin Beverage

1. Results for the Second Quarter of the Fiscal Year Ending December 31,

Q. You have told us that business performance in both Australia and Brazil was on target through the second quarter (2Q). Given this and any recent developments, please let us know your future outlook.

(Mr. Miyake) Lion in Australia has already completed its 3Q, and its annual performance targets are definitely within reach. The top line for the soft drinks business is looking difficult, but costs are under control and the alcohol beverage business is strong. International premium brands have been added to the alcohol beverage business brand portfolio, and this will have a positive impact on both sales and profits in the coming fiscal year and beyond. In the soft drinks business, we are continuing to move forward with business restructuring. The market environment continues to be challenging, for example with lower prices for white milk, but on the other hand we expect very favorable effects from the coming year onward from the optimization of production locations. For the coming three years, we can paint a clearly positive picture of our outlook.

Looking at Schincariol in Brazil, PMI activities, such as drastic improvements in procurement processes, are proving to be effective. We expect to attain our EBITDA target of 550 million Brazilian real (MBRL) for the current year.

Q. For the Brazilian business, it was stated at the beginning of the year that of the targeted 150MBRL EBITDA increase relative to the previous year, 80MBRL was due to cost savings including in the procurement area. Could you tell us the progress and future outlook in that area? (Manager of the Strategic Planning Department) At present, we are speeding up our PMI activities aimed at drastic improvements in procurement operations. Some of the effects anticipated for the second half (2H) have already been realized ahead of plan, but due to the impact of higher material costs stemming from the fall of the Brazilian real against the dollar, we have not changed our outlook for the full year.

Q. While you say that the businesses in Australia and Brazil are on track, we would like a better understanding of the reasons for the downward revisions in the domestic integrated beverages business.

(Mr. Miyake) Sales were weak in the overall beer market in July, and unfortunately we have had to release a downward revision based on the current situation. Having said that, we remain fully committed to maintaining the bottom line.

Q. With respect to KB, will increased 1H selling costs reflect positively on performance in 2H?

(Mr. Miyake) The policy of focusing our investment on the strengthening of core brands is definitely what we need to be doing, rather than spreading ourselves thinly across all brands. KB is enjoying a strong sales trend for *Kirin Ichiban Shibori*, and POS data are clearly showing improvements following the revamp of *Kirin Nodogoshi-nama*. We have no doubt that marketing costs during 1H will reflect positively on sales during 2H. KB and KBC will be continuing with investment and other activities aimed at the growth of core brands in 2H too.

2. Forthcoming Medium-term Business Plan (MTBP)

Q. What is your current outlook regarding the MTBP?

(Mr. Miyake) We are still considering this, and I would like to ask you to wait for the official announcement. This MTBP is positioned simultaneously as the closing three years of the “Kirin Group Vision 2015” long-term business framework as well as the first set of steps toward the next long-term plan. It will be very important to form scenarios for revitalizing growth in the domestic integrated beverages business, as well as determine how to make progress in our overseas businesses. We look forward to making an announcement including these issues in the fall.

Q. How much room is there for growth in the domestic integrated beverages area over the next three years?

(Mr. Miyake) We face the considerable challenge of strengthening our capabilities with respect to product development and new business proposals, but it is not an easy thing to come up with a new product like *Kirin Mets Cola* every year. Following the establishment of the new company for domestic integrated beverages, we plan to separately consider short-term challenges on the one hand, and medium-term challenges on the other. In terms of the growth that can be anticipated over the next three years, we would like to ask you to wait for the official announcement of the next **MTBP**.

Q. What will your approach to financial strategy be for the coming fiscal year?

(Mr. Suzuki) For the current fiscal year, as we announced at the beginning, we are prioritizing the use of cash flow for repayment of interest-bearing liabilities, with the aim to approach a D/E ratio of 1. Our financial strategies for the coming fiscal year will be laid out clearly in the forthcoming MTBP, but generally speaking, from the perspective of increasing shareholder value, we want to promote financial flexibility in combination with our business strategy. An improved D/E ratio will be one result.